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E.O. 12958: N/A
TAGS: ELAB PREL PGOV OVIP SN
SUBJECT: SECRETARY OF LABOR CHAO MEETS SINGAPORE ACTING
MINISTER OF MANPOWER GAN KIM YONG, AUGUST 29, 2008

(U) This cable is Sensitive but Unclassified. Please
protect accordingly.

¶1. (U) August 29, 2008; 3:00 P.M.; Ministry of Manpower.

¶2. (U) Participants

United States

Secretary of Labor Elaine L. Chao,
Ambassador Patricia L. Herbold,
Associate Deputy Secretary of Labor Anna Hui,
Dr. James Chao,
Alden Sanborn, Special Assistant to the Secretary, and
Senior Political Officer Dan Jassem (note-taker)

Singapore

Acting Minister of Manpower Gan Kim Yong,
Leo Yip, Permanent Secretary, Ministry of Manpower,
Ong Ye Kung, Chief Executive, Workforce Development Agency,
Ng Cher Pong, Division Director, Workplace Policy and
Strategy,
Tay Choon Hong, Deputy Director, Manpower Planning and Policy,
Chng Yi Ken, Manager, Manpower Planning and Policy, and Lim
Choong Leng, Senior Manager, International Relations Unit
(note-taker.)

Summary

¶3. (SBU) The United States and Singapore both face the
challenge of an aging population, Secretary of Labor Chao
noted in a meeting with the Acting Minister of Manpower Gan
Kim Yong on August 29. Gan said Singapore is revamping its
mandatory retirement account system to include a portion that
will require workers, funds to be pooled. Acting Minister
Gan suggested that the best system would be one that took
advantage of both individual and pooled accounts. Ministry
of Manpower staff gave Secretary Chao a briefing on
Singapore's plans and programs to meet the labor market's
challenges. End Summary.

¶4. (SBU) In an August 29 meeting with Acting Minister of Manpower Gan Kim Yong, Secretary Chao praised Singapore's emphasis on skilled manpower training and suggested that the United States and Singapore could exchange ideas on the subject. Secretary Chao also suggested that both Singapore and the United States face similar challenges in managing a graying population base. Secretary Chao noted with concern that in the United States, the first wave of "baby boomers" would start to retire next year and that the subsequent large increase in retirees would put the U.S. Social Security system under a great deal of strain. In response, Acting Minister Gan highlighted Singapore's dual problem of an aging population base and a fertility rate that is below replacement level; resulting in the need for a steady influx of foreign workers to maintain Singapore's economy.

¶5. (SBU) Secretary Chao inquired about Singapore's efforts to manage its aging population challenge. Gan replied that while Singapore already has a mandatory retirement account that all workers and employers pay into, the government feels that the current system is inadequate. The continued rise in average life expectancy (it is now over 80 years of age) is leading to older retirees essentially running out of benefits, Gan asserted. (Note: workers are required to put 20 percent, and their employers 13 percent of a worker's salary, into the government's retirement account, the Central Providence Fund - CPF. The fund investments are individually owned by workers, and can be accessed after they reach 55

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years of age. End Note).

¶6. (SBU) Acting Minister Gan then described Singapore's plan to revamp the Special Account portion (the retirement account) of the CPF, by shifting the present focus away from individually-owned retirement accounts (for contributions made after 55 years of age) towards a common pool. (Note: The CPF has three accounts: the Ordinary Account) the funds in this account can be used to purchase a home, fund education or fund an investment; the Special Account) funds can be used for retirement; and the Medisave Account) funds can be used to cover medical expenses. End Note.) Gan noted that while under the current system, beneficiaries can pass any unused benefits on to their descendants, in many cases longer-lived retirees, benefits will run out. Under the new system, retirees would receive benefits until death. However, under the new system, the unused benefits of deceased retirees would no longer pass on to their heirs.

¶7. (SBU) Secretary Chao suggested that while Singapore appears to be going away from individually-owned retirement accounts, the United States is exploring moving in the opposite direction. Gan replied that a balance is needed between individually-owned accounts and pooled accounts, and noted that the new changes to the CPF would only cover the Special Account portion (the retirement account) of the CPF and that the changes would only affect contributions made after a worker turned 55 years old, meaning that any contributions made prior to turning 55 would still be owned by the individual.

Briefing on Strategies to Manage Manpower Challenges

¶8. (SBU) The MOM staff gave Secretary Chao a presentation that highlighted Singapore's strategies to deal with its manpower challenges. The staff touched on Singapore's labor market trends, including its robust job creation, almost full employment and the need for a steady influx of foreign talent. The staff reviewed how the government, industry and publicly-funded universities work together to ensure that the right mix of critically needed graduates enters the job market. The staff described in detail Singapore's continuing

education and training plans and programs, with a focus on the development of national standards for needed skills. Lastly, the staff gave an overview of Singapore's programs to assist and retrain lower income and older workers.

¶9. (U) Secretary Chao's party cleared this message

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